Municipal Indebtedness

A Symposium

City of New York.—By the Editor from material furnished by the Department of Finance.
Boston.—Edward M. Hartwell, Secretary Statistics Department, Boston, Mass.
Baltimore.—Solomon Blum, Johns Hopkins University, Baltimore, Md.
Cleveland.—F. E. Stevens, Secretary Municipal Association, Cleveland, Ohio.
Cincinnati.—Max B. May, Cincinnati, Ohio.
Pittsburg.—Edwin Z. Smith, Pittsburg, Pa.
New Orleans.—James J. McLoughlin, New Orleans, La.
Milwaukee.—John A. Butler, Chairman Executive Committee, State Civil Service Reform Association, Milwaukee, Wis.
Washington, D. C.—George S. Wilson, Secretary Board of Charities, Washington, D. C.
Providence.—Sidney A. Sherman, Ph. D., Providence R. I.
Grand Rapids.—Delos F. Wilcox, Secretary of the Civic Club, Grand Rapids, Mich.
Seattle.—Professor J. Allen Smith, University of Washington, Seattle, Wash.
Duluth.—W. G. Joerns, Duluth, Minn.

CITY OF NEW YORK

By the Editor from Material Furnished by the Department of Finance.

Total Indebtedness.—The total gross funded debt of the City of New York (Greater City), at January 1, 1905, was $558,265,517.60. The amount thereof held by the commissioners of the sinking fund for investment was $157,330,352.85, leaving the net funded debt on said date $400,935,164.75. In addition to the funded debt, so-called, there were revenue bonds issued in anticipation of the collection of taxes outstanding, amounting to $34,457,000.

Proportion Used in Profit-Bearing Enterprises.—The amounts of the gross funded debt, as above, created for what are termed profit-bearing enterprises, such as water supply purposes, docks and wharves and rapid transit construction, are as follows: For water purposes, $76,745,992.76; for docks and wharves, $56,228,200; for rapid transit construction, $43,616,000.

Sinking Fund Provision.—All funded debt created by the city is payable from sinking funds created by raising annually by taxation installments, which, with accumulation of interest thereon, will provide the amounts necessary for the redemption thereof.

Amount of Sinking Fund.—In addition to investments in stocks and bonds for account of the sinking funds of the City of New York, as shown above, to wit, $157,330,352.85, there was on January 1, 1905, cash belonging to the sinking funds, amounting to $865,660.21.

Effect of Constitutional Limitations on Indebtedness.—Under the constitution of the State of New York, municipalities are limited in incurring indebtedness to an amount not exceeding 10 per centum of the assessed valuation of its taxable real estate. This limitation covers not alone its net funded indebtedness, but also obligations incurred under contracts for public improvements, etc., as well as liability incurred by the city on account of acquisition of real estate for public purposes and judgments obtained against the municipality.

Plans for Public Works Which Will Involve Increasing Indebtedness.—The City of New York is committed to and has under consideration vast public improvements consisting of an extension of its water supply system, bridges over rivers and over tracks of railroads to abolish grade crossings, extension of its subway rapid transit railroads, extension of its park system, larger school facilities, enlargement of its fire and police departments, libraries, museums, buildings and hospitals for its health, charity and correction departments and the opening, grading, sewering and paving of streets throughout the city.

BOSTON

By Edward M. Hartwell, Secretary Statistics Department, Boston, Mass.

1. *Total Indebtedness.*

Gross debt:		
City debt	$82,446,606.00	
County debt	3,448,000.00	
Cochituate water debt	8,224,000.00	
		$94,118,606.00
Sinking funds for:		
City debt	$23,202,184.92	
County debt	888,512.52	
Chochituate water debt	7,600,689.44	
		$31,691,386.88
Net debt:		
City debt	$59,244,421.08	
County debt	2,559,487.48	
Cochituate water debt	623,310.56	
		$62,427,219.12

2. Purposes for Which Created.

City debt by objects:		
Bath houses, gymnasia, etc.		$446,300.00
Bennington street sewer damages		258,300.00
Bridges		1,067,416.66
Cambridge Bridge		1,050,000.00
Cambridge River Basin		800,000.00
Charlestown Bridge		1,555,000.00
Ferries		669,000.00
Improved sewerage		1,087,650.00
Metropolitan Park assessments		544,400.00
Miscellaneous		1,385,700.00
Public buildings, exclusive of school houses		6,729,632.46
Public grounds, etc.		195,200.00
Public parks		14,827,300.00
Playgrounds		1,156,610.98
School houses and sites		10,869,725.00
Separate systems of drainage		1,200,000.00
Sewers		7,366,260.00
Stony Brook		1,265,919.79
Sewerage charges, repayment of		15,000.00
Widening, extending, grading and building streets, etc., viz.:		
Miscellaneous	$9,184,990.11	
Laying-out and construction of highways	9,937,201.00	
Blue Hill and other avenues	2,402,000.00	
Rapid Transit	4,416,000.00	
Rapid Transit, East Boston Tunnel	3,018,000.00	
Boston tunnel and subway	1,000,000.00	
		$29,958,191.11
		$82,447,606.00
Less matured		1,000.00
		$82,446,606.00
County debt for Court House		3,448,000.00
Cochituate water debt, for water supply		8,224,000.00
Total		$94,118,606.00

3. *Proportion Used in Profit-Bearing Enterprises.*

Ferries	$669,000.00	
Rapid Transit:		
Tremont street subway	4,416,000.00	
East Boston tunnel	3,018,000.00	
Washington street tunnel	1,000,000.00	
Water works	8,226,000.00	
		$17,329,000.00

$17,329.000.00 = 18.41% of $94,118,606.00.

4. *Sinking Fund Provisions.*

Chapter XXXV, Section 3, Revised Ordinances of 1898 reads as follows, touching certain duties of commissioners of sinking funds:

SEC. 3. Said commissioners shall in their annual estimates, require for every sinking fund an appropriation sufficient, with the accumulations of the sinking fund, to meet at maturity, the debt for the payment of which it was created, requiring for a debt payable in five years from the time incurred, an appropriation of not less than 23¼ per cent.; for a debt payable in ten years, an appropriation of not less than 8 per cent. of the amount of such debt; for a debt payable in twenty years, an appropriation of not less than 3½ per cent. of the amount of such debt; for a debt payable in thirty years, an appropriation of not less than 2 per cent. of the amount of such debt; and for a debt payable in forty years, an appropriation of not less than 1¼ per cent. of the amount of such debt; provided, however, that said commissioners shall, when other payments have been applied, or transferred, to the sinking fund of any debt, require for that sinking fund an appropriation less by the amount of such payments than they would otherwise have required. In 1903-04, the sinking fund requirements were met by an appropriation of $1,702,324.

5. *Amount of Sinking Fund.*

The amount of the sinking funds (see 1 above, viz.: $31,691,386.88), includes two items:

(a) Sinking funds	$30,383,612.58	
(b) Betterments and assessments pledged	1,307,774.30	
		$31,691,386.88

6. *Effect of Constitutional Limitations on Indebtedness.*

The limitations on indebtedness are statutory (see Revised Laws of Massachusetts, 1902) and not constitutional. Their general effect seems to be recourse to the legislature for permission to borrow outside the debt-limit; thus of the gross debt of city and county, viz.: $94,118,606, that outside the limit is $54,851,400, and $40,267,206 inside the limit.

7. Plans for Public Works Which Will Involve Increasing Indebtedness.

These are best indicated by the following statement:

LOANS AUTHORIZED, BUT NOT ISSUED, JANUARY 31, 1905.

OBJECT.	Inside limit.	Outside limit.	Borrowed to date.
South Union Station	$425,000		
Cambridge Bridge		No limit to amount.	$1,250,000
Repayment Sewerage charges		Amount required.	415,000
Atlantic Avenue Extension		No limit to amount.	375,000
Rebuilding Broadway Bridge	38,500		
Hospital for Consumptives	150,000		
Bath Houses, Gymnasia, etc.	30,000		
Street improvements	32,000		
Playground	170,000		
Northern Avenue, etc.		No limit to amount.	10,000
Land and buildings for School	994,800		
Brockton Street Bridge		No limit to amount.	
Soldier's Field Bridge		Not to exceed $120,000 for Boston and Cambridge.	
Total	$1,840,300		$2,050,000

BALTIMORE

By SOLOMON BLUM, Johns Hopkins University, Baltimore, Md.

At the present time the financial situation of Baltimore is of peculiar interest; not only because of the unsettlement occasioned by the fire, but because of the extensive improvements which an enlightened civic spirit demands for the increasing needs of a greater municipality.

The total revenue of the city for the year ending December 31, 1904, was $12,217,846. Of this taxation yielded $6,714,421; licenses, $522,289; franchises, $444,307; special assessments, $17,122; fees and fines, $20,286; quasi-private receipts, $4,250,492.

The tax on general property yielded more than $5,250,000, while the tax in arrears, including interest, yielded $1,001,879. The tax on securities yielded only $279,799. Included in quasi-private receipts were $2,799,754 taken from the Western Maryland Railroad special funds for the Burnt District Commission. Water rents yielded $828,788. The total taxable basis of Baltimore is approximately $500,000,000. The borrowing capacity of the city has no legal limit, but before a loan may be issued the legislature must pass an enabling act; the council must enact an ordinance, and the proposed loan must be approved by a vote of the people. Though there is no legal limit to the possible debt contracting power of the city, the policy has been adopted of limiting the net funded debt to 7 per cent. of the whole taxable basis, in order to conform to the New York law, which allows saving insti-

tutions to invest in only such municipal bonds as conform to this proportion. According to this rule, Baltimore may have a net funded debt of about $35,000.000. The total funded debt is $39,962, 882; deducting $14,392,804, the amount in the sinking funds; $8,627,500, invested in the water works; $1,220,000, cost of the electrical subway; and other items amounting to $2,518; the net debt of the city is $15,721,059. The city may therefore contract a further debt of about $19,250,000.

A loan of $6,000.000 for dock improvements has been authorized, but not yet issued. At the May elections a $1,000,000 park loan, a $2,000,000 loan for street improvements in the annex, and $10,000,000 for a sewerage system will be voted for. Even with these loans authorized, the city will still be within the 7 per cent. limit.

The problem, however, is how to float these loans without increasing greatly the burden upon the taxpayer. It is obvious that with a general property tax of $2.11½ per hundred dollars, and a state tax of $.23½ per hundred dollars, Baltimore is no condition to stand greatly increased taxation. It does not seem necessary, however, that there should be a heavy burden upon the taxpayers. The dock improvement loan will be met by rentals of the docks; the park loan by the park tax from the car company (which is 9 per cent. of the gross receipts of the company); the annex loan will be met by an increase in the taxable basis in that part of the city, and by the contemplated improvements. There remains then the $10,000,000 sewerage loan. This loan will probably be issued in five years' installments, so that the city will not have to bear the full amount until the end of this period. It is not too much to expect that at the end of that period the increased taxable basis will fully meet all the necessary interest and sinking fund requirements. Furthermore, permission will be asked of the legislature to levy, if necessary, a reasonable sewer rate upon the houses connected with the system.

All these loans, except the sewerage, are to be issued at 3½ per cent., and are to run fifty years. The sewerage loan is to run for seventy-five years. One feature that is particularly commendable is that a specific sum is to be set aside yearly for sinking fund purposes. It has been heretofore the custom to set aside a certain proportion of the tax rate for the various sinking funds. This led to disproportion between the size of the sinking funds and the amount to be redeemed. These loans must appeal to anyone who is in the least conversant with the needs of Baltimore. Not only are they necessary, but they are possible, with very little added burden upon the taxpayer. The credit of the city is good. Last year the city was able to borrow at the low rate of 2.87 per cent. This rate is higher than it seems; for the city pays the state tax on its bonds, and exempts them from city taxation. Moreover, a corporation owning Baltimore city stock, is exempt, to the extent of its holdings, from city and state taxation. These securities are consequently much sought after by Maryland corporations.

CLEVELAND

By F. E. Stevens, Esq., Secretary Municipal Association of Cleveland.

The present total indebtedness of the city is $21,739,402. This indebtedness was created in the making of various public improvements such as the market houses, fire and engine houses, public baths, water works, boulevards and in short for municipal construction and improvements of all kinds permitted by law to be undertaken by the city. That portion of the debt used in profit-bearing enterprises consists of $3,950,000 for water works, $150,000 for cemeteries and $160,000 for market houses.

Provision for the retirement of bonds and the payment of interest is intrusted to a board of sinking fund trustees of four members appointed by the mayor. This board fixes upon the amount of tax levy to be employed in the creation of a sinking fund. It exercises its discretion in the investment of funds arising from taxation and when bonds are issued, it is first given the opportunity of purchasing these bonds as an investment. The par value of sinking funds, March 1st, was $2,824,098. During recent years the average rate of levy for sinking fund purposes has been 2.5 mills on the dollar of tax valuation. The rate fixed for the current year is 2.9 mills. In addition to the amount raised by taxation for sinking fund purposes a portion of the earnings of the profit-making enterprises is applied to the payment of interest and the redemption of bonds.

The constitution of the state provides that the legislature shall restrict the power of taxation and contracting debts by municipal corporations "so as to prevent the abuse of such power." No specific limit of indebtedness is imposed by the constitution, but the legislature has provided that city councils may order the issuing of bonds for the raising of funds to an amount not in excess for any one year of 1 per cent. of tax value. By popular vote bond issues are authorized in excess of these limitations.

The bonded indebtedness of the city will be increased within the current year by almost $3,000,000. Of this amount $375,000 is to be employed in the extension and improvement of parks, $100,000 for the construction of a municipal hospital, $20,000 for a city farm school, $500,000 for the elimination of grade crossings and $20,000 for a public bath house. The remainder will be employed in sewer construction, the opening and improving of streets and additions to the water works system. The valuation of taxable property within the city, December 1, 1904, was $205,831,745.

CINCINNATI

By Max B. May, Esq., Cincinnati, Ohio.

On January 1, 1905 last, the total bonded indebtedness of the city of Cincinnati was $36,818,140.38, of which $35,483,142.42 were general bonds; $1,334,-997.95 were street improvement bonds. The general bond issue is largely made up of the following items: Consolidated sinking funds 3.65's, refunding old 6's and 7's issued for construction of Cincinnati Southern Railway; $11,-400,100 Cincinnati Southern Railway; terminals, $1,500,000; Cincinnati South-

ern Railway construction bonds, old issue of 6's and 7's still outstanding, $5,484,000. Total bonds issued for Cincinnati Southern Railway, $16,353,000. The Cincinnati water works bonds varying at 3, 3.65 and 3.5's, $6,828,600. The remaining bonds are for various municipal improvements, such as for schools, park purposes, hospital, workhouse and House of Refuge, sewer viaducts, bonded indebtedness of annexed villages of Clifton, Avondale, Westwood, Linwood, Winton Place, Riverside and Evanston. Inasmuch as the Cincinnati Southern Railroad is leased at an annual rental of $1,090,000 and the city will derive revenue from the water works when completed, nearly $2,400,000 or two-thirds of the bonded indebtedness is used in profit-bearing enterprises.

Under the new municipal code, in addition to all other taxes authorized by law, there must be levied and collected annually a tax upon property sufficient to pay the interest and provide a sinking fund, for the extinguishment of all bonds and funded debts, and for the payment of all judgments, which money cannot be used for other purposes. This sinking fund is managed by a board known as sinking fund trustees, composed of four citizens appointed by the mayor, not more than two of whom may be of same political parties. The sinking fund trustees shall invest all money received by them in bonds of the United States, the State of Ohio, of any municipal corporation, schools, townships or county bonds in the state, reserving necessary funds for expenses and all interest received shall be reinvested. On January 1, 1905 last, the sinking fund contained $5,574,211.37, of which $4,813,506.74 were bonds, $206,060.35 interest funds and $554,644.28 cash redemption fund.

Under the law council has the authority to issue in any one year bonds for municipal purposes, which shall not exceed 1 per cent. of the total tax duplicate, which is about $220,000,000, but at no time shall there be outstanding a total bonded indebtedness under these provisions in excess of 4 per cent. of tax duplicate. However, by submission to special vote, additional bonds may be issued, but the total amount of such bonds outstanding shall not exceed 8 per cent. of tax duplicate.

Naturally this statutory limitation serves a very salutary purpose and tends to check the recklessness and extravagance of council. Every large city must increase its indebtedness, and Cincinnati in the near future will expend large sums of money to complete its water works and additional sums for park purposes, new city hospital and street improvements.

PITTSBURG

By Edwin Z. Smith, Pittsburg, Pa.

The population of the city of Pittsburg, according to the United States census of 1900, was 321,616. The increase since that time is estimated at about 30,000; so that the present figure is not less than 350,000. The total bonded indebtedness of the city is $21,002,001.87 and is therefore at a rate of $60 per capita of population. The purposes for which this indebtedness was created are as follows:

Railroad compromise bonds, refunding an old debt incurred by the municipality for bonuses offered to incoming railroads..	$2,182,901.87
Funded debt of the old city (long standing bonds issued for various municipal improvements)	621,000.00
Water extension; for enlargement of city water supply and delivery	725,300.00
Construction of municipal building; refunded	170,000.00
Construction of Fifth Avenue Market House	25,000.00
Street improvement funded debt	5,214,700.00
Debt of borough of East Birmingham, assumed on annexation ..	62,000.00
Improvement of water system	1,400,000.00
Boulevard improvements	350,000.00
Public Parks improvements	1,225,000.00
Construction of building for Department of Public Safety	350,000.00
Purchase of bridges across the Monongahela River	1,050,000.00
Temporary loans for use of Board of Health in stamping out small-pox epidemic	240,000.00
Loan of 1900; for a variety of purposes, viz.: water filtration, street improvement assessments, land for poor farm, land and buildings for engine houses and police stations, water mains, erection and repair of bridges, boulevards, purchase of turnpike road, and park extensions and improvements ..	6,300,000.00
Funded debt for 1904; for payment of certain judgments and assessments against city	1,086,100.00
	$21,002,001.87

The rate of interest paid upon the various bonds issued ranges from 7 per cent., the rate paid upon the oldest series of bonds to 3¼ per cent. and 4 per cent. upon the later issues. No part of this indebtedness was incurred in behalf of municipal profit-bearing enterprises, unless the water system could be thus designated, the returns from this source somewhat exceeding the interest and expenditures. It is not, however, organized as an enterprise for profit.

The sinking fund provisions for Pittsburg are those contained in Article XI of the act passed by the legislature of Pennsylvania in 1901, and embodying the system of government of cities of the second class, viz.: those having a population exceeding 100,000, but less than 600,000. Under this article, the sinking fund is controlled by a commission composed of five persons appointed by the mayor, and holding office for five years in classes. As funds accumulate they are to be invested in the purchase of bonds of the city, or if these cannot be procured to advantage, then in bonds of the United States or State of Pennsylvania. Bonds of the city bought in for redemption are to be stamped conspicuously and shall never be reissued or sold. At maturity those held by the city are to be cancelled, and those representing the balance of the loan outstanding paid off and retired. Whenever any new bonds shall be issued, they shall be made payable in annual installments equal to the

taxes levied for the purpose and shall be paid annually from the funds so provided. A number of other regulations guide the sinking fund commission in the fulfillment of its duty. At the present time, the sinking funds have to their credit $1,255,543.73 in cash, and hold bonds as investments under the sinking fund law to the amount of $5,889,438.14.

The limitations placed by the constitution of the state upon municipal indebtedness have never inconvenienced or unduly restricted the city of Pittsburg, as its assessed valuation has increased so rapidly that there has always been a fair margin upon which to base the necessary loans. The only municipal project now in view which will involve increased indebtedness, is the plan for an extensive sand filtration plant for the purification of city water. Of the bond issue noted above under the designation of the "loan of 1900," $2,500,000 was for a filtration system and was at that time supposed to be sufficient. The construction of the filter plant was, however, postponed by litigation and other circumstances for about four years, and when revised from estimates then made, it was found necessary to add largely to the appropriation. An election was therefore held in February, 1904, by which an additional issue of $5,000,000 of bonds for this purpose was authorized, and the contracts for the principal part of the work have been let. This last issue is not included in the list set out above, for the reason that it has not yet been sold, the original issue of 1900 furnishing enough money to begin the work. As, however, the indebtedness has been authorized and the work entered upon, the amount of the bond issue, to wit, $5,000,000, may be fairly added to the total given above, thus making the total bonded indebtedness of the city of Pittsburg $26,002,001.87 with its water filtration system complete.

NEW ORLEANS

By James J. McLoughlin, Esq., New Orleans, La.

For many years the city of New Orleans was one of the worst managed cities, financially, in the country. The evil times of reconstruction left her not only stripped of wealth, but also burdened with a crushing debt. Most of this debt had been incurred by the "carpet-bag" governments, prior to 1874, and although it was morally certain that the city had received no benefits at all commensurate with the outstanding obligations, yet the forms of law had been observed in its creation, and she was held legally responsible for every cent. In the year 1879 a new state constitution limited municipal taxation to 1 per cent., but the courts decided that this limitation could not be applied to pre-existent debts, and whenever a creditor applied to court for the enforcement of a debt created prior to 1879, the court directed the levy of a special tax to pay it. In 1882 these special judgment taxes amounted to 16¾ mills on the dollar.

Realizing the desperate condition of affairs, the people of New Orleans bent to the task, and after great privations—some of them being a closing of the public schools for five months every year, a practical abolishment of

police protection for many years, a neglect of all public improvements and scores of other deprivations which now are considered the very necessities of municipal life—after suffering all this for a period of nearly ten years, we have risen from the slough of despond, without the repudiation of a single dollar of debt, honest or dishonest, without the scaling of a single bond, and without passing a single interest coupon. To-day, our city's credit is of the highest, her bonds are all above par—the highest at 140 per cent.—our current obligations promptly met, our schools well sustained and millions of dollars being spent yearly for public improvements. Our rate of taxation for municipal purposes, including interest and sinking fund on our bonded indebtedness, is only $22 per $1,000.

In 1882 our total debt, floating and bonded, was $20,059,315.50. On December 31, 1904, it was $24,632,656.11, of which $24,158,937 represents the bonded indebtedness. Three million nine hundred thousands dollars of these bonds were issued to pay for the water works and drainage system, which are now under construction, and to complete which, the balance of an issue of $12,000,000 will be devoted. This bond issue has been authorized by constitutional enactment, and its result will be the conversion of an antique town into a modern city. The remaining $20,258,937 of bonds were issued to take up older issues, to settle judgments and floating indebtedness, and the grand total represents an assumption at par and accrued interest of all that terrible burden of debt, tainted with every kind of fraud and dishonesty, left us as a legacy from the reconstruction period. Thus for generations the people of New Orleans will be toiling to pay for the few short years of that saturnalia of crime that, after the armies had left the field, afforded to the vultures and campfollowers the opportunity to drain the life blood from a stricken people.

The floating indebtedness, $472,693.59, consists of $19,178.80 of unpaid obligations created prior to 1879, which have never been presented for payment—and are probably destroyed, and will never be heard from—and $453,514.79 certificates issued in recent years for street paving, public improvements, etc., which under our system of law are retired in annual installments, from taxes, and are not bonded, as they rarely ever run longer than three or four years.

Of our bonded debt, none is invested in profit-bearing enterprises, except that the city owns a number of market houses, that were built years ago, and probably the certificates that paid for them were funded years ago into bonds. These market houses, worth probably about $1,500,000, produce an annual revenue of about $150,000. The water works system belongs to a private corporation, but within a few years the city will own her own water system, as it will be constructed out of the $12,000,000 sewerage and water bonds, referred to above. This will give her some revenue, as she will save the $108,000 she now annually pays for water for public purposes, and in addition to that she will derive a revenue from sale of water to private consumers. The present company nets $140,000 annually from its operation with defective pipes, and poor machinery.

At present our bonded indebtedness has practically no sinking fund

Owing to the poverty of the city, when the debts were refunded, and the pressing need for every dollar raised to pay the interest, we were unable to provide any sinking fund. A part of our debt is what are known as "'Premium Bonds." These bonds are of the par value of $20 each, and are payable in fifty years from their date (1875); the interest, 5 per cent. per annum, is not paid annually, but when the bond is paid. By a species of lottery scheme, some $200,000 of these bonds are redeemed each year, and when redeemed, a number of money prizes, some as high as $5,000, some as low as $20, are distributed by lot amongst the holders of the redeemed bonds. Thus the holder of a premium bond may have his investment terminated any year, and when terminated, he is sure to receive his principal and accrued interest since 1875, and in addition thereto he may receive a prize of substantial value. Until the last of the premium bonds is paid, which will be in 1925, there will be no sinking fund for the other bonds, but then the fund which now goes to the extinguishment of the premium bonds will be applied to the payment of the other issues, all of which mature after 1925.

The constitution of Louisiana limits our city indebtedness to its present amount, practically by devoting the present tax of 1 per cent., known as the public debt tax, to the present bonds (with the exception of the sewerage and water bonds), and forbidding any other debt that may prejudice the holders of these consolidated bonds. It also limits taxation for municipal purposes to 1 per cent. per annum, and by special laws the city is forbidden to incur any debt for alimony purpose beyond her annual tax levy.

Five years ago by a vote of the property taxpayers, subsequently ratified by an amendment to the constitution of the state, the people of New Orleans authorized the issuance of $12,000,000 of bonds to pay for a sewerage, water and drainage system for the city, to be provided for by an annual tax of two mills on every dollar of property in New Orleans, and it is of these that the $3,900,000 mentioned above were issued. These bonds mature in 1950 and bear 4 per cent. interest. As they mature after all other outstanding bonds, they will, after the other bonds are paid, inherit the surplus arising from the older 1 per cent. tax now devoted to these older bonds. In addition to the two mill special tax, these sewerage, water and drainage bonds receive by law certain surpluses resulting from certain departments of the government, and are considered so good an investment that to-day they sell at 107 on the stock market.

The assessed valuation of New Orleans is increasing rapidly, and as the rate of taxation for bonded debt is fixed,—two mills for the sewerage bonds, and ten mills for all the others combined—the revenue available for debt purposes increases annually, and will be used for reduction of the debt whenever possible. In this connection it may be well to note that all the funds pertaining to the public debt are handled exclusively by a body known as the board of liquidation of the city debt, which is composed of bankers and business men, in the majority, with three or four city officials in the minority. This board is free from any control by the city authorities. It is a constitutional board, and even the legislature cannot control it. It is self-perpetuating, and all vacancies (except those of the city officials on it) are filled by the

remaining members. Free, therefore, from all political influence, and possessed of unlimited powers in the handling of its funds, it has done more than anything else to establish confidence, in the minds of capitalists, in our municipal securities.

The assessed valuation of New Orleans in 1880 was $91,117,918; assessed valuation for 1904 was $158,584,194. Beyond the sewerage, water and drainage system now under construction, New Orleans has no plans under way for public works which will involve increasing indebtedness, beyond the usual street paving and public improvements paid for annually out of the taxes collected annually, of which by law 20 per cent. must be devoted to works of public improvement.

Appended herewith is an extract from the report of the board of liquidation, dated December 31, 1904, to which is added the Stock Exchange quotations for the bonds named, on March 31, 1905, all of which tend to show that the city of New Orleans stands to-day before the world as on the road to that prosperity which is the lot of every community that places honor above expediency, and that will sacrifice her all, rather than repudiate a single dollar of her public obligations.

BOARD LIQUIDATION CITY DEBT.

NAME.		Amount.	Maturity.	Interest.	Annual Interest.	Stock Exch'g Quotation, March 31, '05.
Constitutional Bonds, Coupon	$9,788,000					
Constitutional Bonds, Registered Certfs.	212,000					
		$10,000,000	1942, July 1.	4 %	$400,000	109
Premium Bonds		4,002,940	Annually.	5 %	....	242
Public Improvement Bonds		3,900,000	1950, July 1	4 %	156,000	107
Floating Debt Bond		233,000	1948, Oct. 1.	4 %	9,320	100
Gold Bonds		117,000	1922, July 1.	7 %	8,190	140
Street Improvement		10,000	1911, Aug 1.	7.30 %	730	.....
Total Bonded Debt.......		$18,262,940	....	....	$574,240	
Five per cent interest on $4,002,940 Premium Bonds from July 15, 1875, to Dec. 31, 1904, inclusive		5,895,997				
		$24,158,937				

MILWAUKEE

By John A. Butler, Chairman Executive Committee, State Civil Service Reform Association, Milwaukee, Wis.

The total bonded indebtedness of Milwaukee on March 1st of this year was $7,092,750. The indebtedness like that of other cities is incurred for the conduct of public enterprises of various kinds: Schools, bridges, water works, public library and museum, public parks, sewerage, street improvements, public baths, fire and police departments, viaducts, etc.

Water bonds comprised in the above indebtedness are as follows:

Water of 1886, due January 1, 1906, 4 per cent.	$25,000
Water of 1887, due January 1, 1907, 4 per cent.	39,000
Water of 1890, due January 1, 1900, 4 per cent.	125,000
Water works of 1893, due July 1, 1903, 5 per cent.	56,250
Water works of 1895, due July 1, 1904, 5 per cent.	50,000
Water works of 1896, due July 1, 1916, 5 per cent.	60,000
Water Department, construction of 1890, due July 1, 1900, 4 per cent.	25,000
City water of 1892, due July 1, 1912, 5 per cent.	20,000
	$400,250

The city sets aside each year 5 per cent. of the original amount of issue for retirement; for instance it issues $1,000,000, which will run twenty years and retires $5,000 each year. That amount must be provided for in the tax levy, together with the interest necessary for the amount of bonds outstanding. The amount set aside for interest and sinking fund for 1905 was $800,000. The constitutional limit on indebtedness is 5 per cent. of the assessed valuations, but the city is restricted to 5 per cent. of the average assessed valuation of the last five years.

The plans for public works which will increase the indebtedness, comprise the construction of two viaducts which are expected to cost about $800,000. It is also proposed to issue dredging bonds. The government is expected to appropriate something like $350,000 for this purpose, and the city a like amount. There is "talk" of a lighting plant, which will require an initial bond issue of about $150,000. The city has just sold $620,000 of bonds to R. L. Day & Co. and Easterbrook & Co., of Boston, and its securities are in uniform demand as an investment.

WASHINGTON, D. C.

By George S. Wilson, Secretary Board of Charities, Washington, D. C.

The total indebtedness of the District of Columbia at the close of the fiscal year ended June 30, 1904, was as follows: Bonded debt, $12,492,700.00; floating debt, $1,349,661.69; total, $13,842,361.69.

The bonded indebtedness was created for the purpose of making general public improvements in the line of grading and paving streets and constructing sewers, etc. While this indebtedness was created at different times and

for various purposes, the entire indebtedness was rearranged about the time of the organization of the present form of government in 1878, and bonds were issued for the entire amout, without any distinction as to the purposes for which the indebtedness had been created. Hence, since that time, there has been no separation of items of indebtedness, such as water bonds, sewer bonds or street improvement bonds, the entire amount being represented by a single issue, known as "the bonded debt of the District of Columbia." The bonds bear an annual interest of 3.65 per cent. The floating indebtedness arises from cash advances made to the district by the United States treasury under authority of Congress, and represents the proportionate part of appropriations, actually advanced for expenditure, payable from the revenues of the District of Columbia in excess of the revenues collected by the District. Under existing legislation this indebtedness, and any increase thereof which may be made, must be repaid to the United States treasury within five years from July 1, 1906. An annual interest charge of 2 per cent. on this character of indebtedness is paid by the District.

No part of the indebtedness of the District of Columbia was created for profit-bearing enterprises.

The interest and sinking fund on the bonded indebtedness is provided by annual appropriations made by Congress, payable one-half by the United States and one-half by the District of Columbia. With a few exceptions, all appropriations made for the District of Columbia are met one-half by the United States and one-half from the revenues of the District of Columbia.

With the annual appropriations made by Congress, the Treasurer of the United States, as *ex-officio* commissioner of the sinking fund of the District of Columbia, retires, by purchase in open market, bonds to the extent of the appropriations at his disposal, so that the bonded indebtedness is diminished, year by year, by the amount of such retirements. In this way there is, therefore, no accumulation of cash or other assets in the sinking fund.

The one limitation on the District's bonded indebtedness is that prohibiting an issue of a greater amount than $15,000,000. This limitation is a legislative enactment, and of course Congress can modify it at any time. There can be no constitutional limitations of any kind in the District of Columbia, except the United States constitutional limitations. Congress, acting under the constitution, has exclusive jurisdiction in all matters in the District of Columbia.

Several large enterprises, in the way of public works, are, at the present time, being carried on, and others are contemplated in the immediate future, which will affect the indebtedness of the District of Columbia. The more important of these public improvements are: a sewer system, a filtration plant, a municipal building and the elimination of grade crossings. During the past few years there has been considerable agitation in the District, in favor of a bond issue to provide for large permanent improvements that are deemed immediately necessary. Congress has so far failed to approve of such a measure, but instead thereof, when it has seen fit to authorize certain improvements, involving expenditure of large sums of money, it has made appropriations for them in the same manner as for the annual running

expenses of the District government. The result has been a considerable deficit, and Congress has provided for this by authorizing the Secretary of the Treasury to make advances from the United States treasury sufficient to meet any deficit in the revenues of the District of Columbia, and has provided that these advances shall be repaid within five years from July 1, 1906, with an annual interest rate of 2 per cent. Thus has been created the floating debt of the District of Columbia. It would seem to be the purpose of Congress to provide for all public improvements in this manner, apparently expecting that all necessary improvements can be paid for within a comparatively short period.

PROVIDENCE

B Sidney A. Sherman, Ph. D., Providence, R. I.

The total indebtedness of the city of Providence at the close of the financial year ending September 30, 1904, was $18,231,834.38. Various sinking funds amounted to $4,759,128.59, leaving a net debt of $13,472,705.79.

The largest single items in this great debt were $5,445,500 for sewers, and $5,647,000 for water works. There was also $2,150,000 for highways, $1,689,000 for schools and $1.265,613.55 for parks, besides several smaller items.

The water works are the only profit-bearing enterprise which this city has undertaken, but they are so good an investment that the city ought to be encouraged to take up other public utilities, like the gas works, electric lighting, and eventually the street railways. Of the net debt of thirteen and a half millions, four and a quarter is for water, making a little less than one-third of the whole. The total receipts of the water works were $676,752.22. The cost of maintenance was $172,312 and interest on bonds $225,265. A few thousand out for other items left a net balance of $275,961.55, which was paid to the sinking fund. The total cost of construction has been seven million dollars, so that the debt is being extinguished and a 4 per cent. on the cost is being paid at the same time, besides maintaining the system.

Against the water debt is a sinking fund of $1,389,718.17; for highways the sinking fund is $718,066.08; for schools, $573,471.35; for sewers, $1,491,-763.39. and for parks, $254,265.39, making, with minor amounts, a total sinking fund of $4,759,128.59, as stated above.

Chapter XXXVI, of the general laws of the state, Section 21, provides that, "No town shall, without special statutory authority therefor, incur any debt in excess of 3 per centum of the taxable property of such town." The total valuation of Providence is $208,000,000, and 3 per cent. of that sum is $6,240,000. The net debt is more than twice that amount. It is the practice of the city council, when desiring to incur a new debt, to apply to the general assembly for permission to do so, and as far as I remember the permission has always been granted; so that the law is at most mildly deterrent.

The indebtedness will be further increased by something like a million dollars by the construction of a sand filtration plant for the water works. Plans for a hospital for contagious diseases and for a large addition to the

Technical High School, will, if carried out, also increase the debt by perhaps a hundred thousand dollars.

As our population is approximately 185,000, our net debt is $73 per capita. Notwithstanding this large debt, the credit of the city is very high, and its bonds always sell at a premium.

GRAND RAPIDS

By Delos F. Wilcox, Secretary of the Civic Club, Grand Rapids, Mich.

The total funded debt of the city at the present time is $2,204,000, which has been created for the following purposes: For water works, $1,025,000; school sites and buildings, $219,000; bridges, $150,000; public lighting plant, $125,000; market site, $75,000; street improvements, $460,000; special loan to meet deficit in current expenses ten years ago, $150,000.

It should be noted that the street improvement loans are wholly met by special assessments, no burden falling upon the general tax rolls at all except for special assessments that cannot be collected. An analysis of the purposes for which the debt was created shows that $1,225,000, or about 55 per cent., of the total debt has been incurred for enterprises that might be classed as profit-bearing, if they showed no loss in operation. Our water works have thus far been unable fully to take care of themselves, largely on account of the impure supply, and to some extent on account of the competition, feeble though it is, of a private company. The city market scarcely pays its running expenses and the interest on the bonds. The lighting plant is used only for lighting the streets, but has shown a considerable saving to the city over the expenses of lighting by contract. Two years ago the legislature established for the city a board of sinking fund commissioners, composed of the mayor, the city clerk, the city comptroller, the city treasurer, the chairman of the committee on ways and means of the common council and two citizen freeholders elected by them. This board has charge of the sinking fund which is provided for the payment of a part of the public debt. The common council is required to levy every year a tax of not less than one-fifth mill or more than four-fifths mill on each dollar of valuation for the benefit of the sinking fund. Under this requirement the minimum levy of about $15,000 amounts to considerably less than the interest on the city bonds, strictly so-called, the water works debt, the school debt and the street improvement debt being excluded. The city attorney has held that the interest on the debt is a part of the debt and, therefore, that the levy referred to need not necessarily be applied to the redemption of the principal. No provision whatever is made in the sinking fund for the water bonds or for the school bonds. Only about $57,000 water bonds have ever been paid during the thirty years since the city first established its water works. The school bonds are paid out of taxation from year to year as they fall due. A movement is on foot to have the sinking fund act amended so as to give the sinking fund commissioners responsibility for all the debt of all the city departments, and make provision for the retirement of the bonds as they mature.

There is no direct constitutional limit upon the debt of cities in Michigan,

but the legislature is required to make provision for the incorporation of cities and to "restrict their powers of taxation, borrowing money, contracting debts and loaning their credit." Under its charter the city has no general authority for borrowing money. There is no limit, however, to the amount of water bonds that may be issued, if the people vote for them. School bonds also may be issued to an unlimited extent by the Board of Education, subject to the approval of the common council. The city also has authority to make loans for a few other specific purposes.

On April 3d the people will give an advisory vote upon the question of issuing $104,000 additional school bonds for the purpose of extending manual training to the high schools and relieving the overcrowding. An authoritative referendum will be taken on the issue of $700,000 water works bonds for the following purposes: (a) For new pumping machinery, $110,000; (b) for a new water supply, $440,000; (c) for a filtration plant, $150,000.

The unsatisfactory condition of the water supply of Grand Rapids has been a source of endless trouble to the city and the project now on foot is to remove the water works intake to a point on Grand River above the local sources of pollution, collect all the ground and spring water that can be found in the vicinity, taking the balance that is needed from the river and purifying it by a system of filtration not yet determined on. A bill to repeal the charter of the Hydraulic Company, which has been supplying water in a feeble way for more than fifty years, has just passed both houses of the legislature and is awaiting the governor's signature. The removal of this decrepit company from the local field will greatly simplify the political aspects of the water question in Grand Rapids. At the present writing, however, it seems very doubtful whether the proposed bond issues for a pure water supply will carry.

SEATTLE

By Prof. J. Allen Smith, University of Washington, Seattle, Wash.

Seattle has a bonded debt of $4,635,000 created for the purposes indicated in the following table:

Amount.	When Created.	Purpose.
$1,090,000	1891 and 1893....	To fund warrants issued from 1889 to 1893.
240,000	1892............	On account of insufficient tax levy in 1892.
275,000	1892............	To pay judgments against city.
220,000	1892............	Property condemned in widening and straightening streets after the fire of 1889.
645,000	1890-1893	Construction of main sewers.
100,000	1902............	Public library site.
175,000	1905............	City jail.
1,050,000	1891 and 1892....	Purchase, betterment and extension of water plant.
840,000	1903-1905	Construction of municipal light and power plant to furnish light for both public and private use.

The city jail bonds above mentioned and $250,000 of the municipal light and power bonds have just been sold. Taxes must be levied for the payment of all interest on the bonded indebtedness of the city, and funds must be provided for the payment of bonds by tax levy during the seven years preceding their maturity.

In addition to this general municipal indebtedness there were outstanding, January 1, 1905, local improvement bonds aggregating $1,447,926.19. These are merely a lien upon the property benefited and not a debt for which the city is liable. This local indebtedness will be increased by a large amount during the present year if the plans now being matured for street improvements are carried out.

There were also outstanding on January 1, 1905, Cedar River water supply warrants to the amount of $1,100,000. They were issued for the purpose of constructing a gravity system which would ensure an adequate supply of pure water. These warrants constitute a special debt, the interest and principal of which are to be paid out of the earnings under municipal operation. This is an example of the method which may be employed in this state to evade the constitutional limitations on municipal indebtedness. The ordinance authorizing the sale of these warrants made provision for a special fund for their payment by setting aside for that purpose 75 per cent. of the gross revenue from private consumers and obligated the city not to reduce the charges for water to such an extent that 75 per cent. of such revenue would be less than it was at the time these warrants were issued. The supreme court of this state has held that inasmuch as these warrants are to be paid out of the income which the city obtains from the operation of the plant, they are not an indebtedness of the city within the meaning of the constitution of Washington. The first case in which that body upheld the right of a city to exceed the constitutional debt limit for municipal ownership purposes was decided in 1895. (Winston *v.* Spokane, 12 Wash.) The use thus made of the special fund device was expressly sanctioned by the legislature in 1897 in an act which authorized cities to establish municipal ownership of water works, light, power and heating plants and cable, electric or other railways. The constitutional limitations are interpreted as applying only to general municipal indebtedness. After a city has reached its debt limit it may issue local improvement bonds or create a special debt for the purpose of municipal ownership.

DULUTH, MINN.

By W. G. Joerns, Esq., Duluth, Minn.

Indebtedness.—The total bonded debt of Duluth, excluding indebtedness of the independent school district, was, on January 1, 1905, $5,245,250, on an assessed valuation of, in round numbers, $30,000,000, of which the real property valuation comprises $23,000,000. Of this bonded debt $2,606,000 are so-called "water and light" bonds, which are the bonded indebtedness on the municipal water and gas plants and are a special lien on such plants. These

plants are more than self-sustaining, and under six years of municipal operation, in addition to securing and safeguarding an absolutely pure water supply, the water and gas rates have been reduced practically one-half. An additional $140,000 of water and light bonds have just been voted by the electorate for necessary extensions of the system to outlying districts, and $100,000 of general fund bonds, heretofore authorized by special legislative enactment for an aerial ferry bridge across the ship canal which forms the entry from Lake Superior to the bay and harbor of Duluth, are awaiting the final completion of the bridge. The bonded indebtedness of the independent school district of Duluth, as already set out in the January, 1905, number of the ANNALS, is $1,037,000, against which, as an offset, the present school assets in buildings, sites, equipment, etc., are appraised at $1,868,000.

Deducting the water and light bonds aforesaid, we find the general bonded indebtedness of the municipality to be $2,639,250. Of this amount $99,000 are for a so-called permanent improvement revolving fund, which forms a special nucleus for street improvements and is, theoretically, at least, supposed to be constantly replenished through special assessments levied for such improvements; $312,000 are park bonds, and for this expenditure Duluth has a substantial asset in a splendid system of parks. The remainder of the indebtedness has been accumulated as the years rolled by, not a little as the result of unwarranted waste and extravagance of the "boom" period antedating the panic of '93, particularly in outlying districts that were later incorporated into the city proper.

The interest rate on the bonds varies from 4 per cent., the going rate of the later issues, to 6 per cent. for the earlier ones, especially those of the outlying sub-divisions. The average rate is estimated at 4.69 per cent.

Duluth has no floating indebtedness. Under the provisions of her "home rule" charter the city is run on a strictly cash basis, the only infringement on which, even in form, is the issue from time to time of certificates of indebtedness in anticipation of tax apportionments, and this only under strict charter regulation. Before the adoption of the new charter a large floating indebtedness had accumulated, referable in part to bad financiering in the city proper as it existed before taking into the corporate limits surrounding additional territory, in part to defaults in the payment of assessments for street improvements and, to an important extent, the accumulated indebtedness of the newer sub-divisions which later became a part of the city. By special legislative provision in the charter enabling act the city was authorized to, and did, in fact, fund this debt and the $733,000 of "refunding" bonds, which are included in the city's bonded debt, are the result.

Sinking Fund.—The charter provides for the annual levy until the payment of the total bonded indebtedness of the city is provided for, of "at least one mill on the dollar of the assessed valuation of all taxable property in the city" for sinking fund purposes, which, however, "shall be applied only to the payment of the principal of bonds . . . . when the same shall become due." In addition, all excess tax collections for interest and all revenues of the city, not otherwise appropriated, shall be paid into the sinking fund. Collections on all assessments levied prior to the adoption of the present

charter (March 8, 1900) are likewise being credited to the sinking fund. This, as already suggested, with reference to the "refunding" bonds, is because the city's general bonded debt stands in part for expenditures for street improvements to which such assessments apply. The sinking fund on January 1, 1905, amounted to $110,819.97. The management and investment of the sinking fund is vested in the mayor, comptroller, treasurer and city attorney as ex officio sinking fund commissioners of the city, subject to the general direction of the common council.

Limitation of Indebtedness.—Under the "home rule" charter enabling act, municipalities are restricted in their debt-creating capacity within certain defined limits. There is also a general statutory provision on the subject that applies generally to the minor political subdivisions of the state. The class to which Duluth belongs is restricted to 5 per cent. of the total value of the taxable property of the city as returned for taxation, subject, however, to the following special exceptions: (1) Where limit has been already reached or debt exceeds 5 per cent. limit at time of incorporation, bonds may be issued to pay floating debt, to be used solely for such purpose. (2) Certificates of debt for permanent improvement fund are not to be considered as a part of the debt for the purposes of this limitation. (3) Water and light bonds for water and light plants "already in existence" prior to incorporation and all additional issues for the extension, enlargement and improvement of such plants are likewise excluded from the 5 per cent. limitation.

It follows from the foregoing that for some time at least no additional public utilities can be acquired by the municipality without special legislative sanction. There are no constitutional inhibitions on the general debt-creating power of Minnesota municipalities.

New Public Works Involving Increased Indebtedness.—The aerial ferry bridge, which is practically completed, and the proposed extensions of the water and gas service, for which bonds were recently voted, have already been referred to as involving an increase of the city's bonded debt. There is also a movement on foot seeking legislative sanction for the acquirement of a municipal electric lighting plant. There are strong indications, however, that the private company and other special interests in sympathy with it may succeed in controlling legislation on the subject and that the people will be thwarted in their desire.